

MEMORANDUM

NATIONAL SECURITY COUNCIL

31066

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URGENT INFORMATION

August 2, 1971

MEMORANDUM FOR MR. KISSINGER

FROM:

Helmut Sonnenfeldt

SUBJECT:

Maltese Developments

Mintoff's latest move, against NATO and UK flags on Malta, is the subject of a separate memorandum (Tab A, Log #31053). State has since reported that Mintoff has agreed to discuss the flag issue when NATO's Acting Secretary General Kastl visits later this month, and he has withdrawn his ultimatum that the flags come down by August 3.

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The actions, together with reports on other Maltese developments from Valletta, Libya, the UK and NATO, would indicate the Mintoff is determined to wring immediate financial aid for Malta from one source or another and that we can expect him to be taking continuing erratic actions as the pressure mounts.

Valletta. Ambassador Pritzlaff met with Mintoff and reports that the Prime Minister is obsessed with finding a solution to Malta's financial problems and is convinced that the British are plotting to get rid of him. Mintoff says that as of August 15, Malta will require \$2.4 million per month for three months to meet minimum cash flow requirements for basic governmental services. Pritzlaff believes that we should offer this interim budgetary support, and he believes that Mintoff would welcome the visit of a high-level US representative (OMB, Treasury or AID) to explore solutions to Malta's financial problems. State with our clearance, has advised Ambassador Pritzlaff that it is considering his recommendations, but that the key US objective at present is to assist the UK in NATO to shape a counter offer which will keep the negotiations moving toward a successful conclusion.

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reviews completed

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- 2 -

Germany. On July 30, Defense Ministry officials told Embassy Bonn that Mintoff had told the Germans that he would reduce the assistance demands that he was making on the UK; that he realized that there were limits to the amount the UK would be willing to pay, and that he did not want to replace the current NATO noose around his neck with a Russian one.

UK/ On August 1, we informed the British that we were prepared to support alternative Malta assistance packages in NATO for the next round of UK negotiations as follows:

1. Ten million pounds annually for Malta for 4-6 years, with UK continuing to make its current cash contribution, with the remainder of the package made up of NATO members' bilateral aid -- with the US contributing up to two million pounds annually in assistance; or

2. Six and one-half million pounds cash payment for Malta, with the US contributing 30.16 percent, other NATO nations contributing whatever they will, and the UK making up the balance.

The British asked us to put forth the second alternative at the August 2 NAC. Embassy London reports that UK ministers and officials have felt righteous indignation due to Mintoff's behavior and "blackmail" demands (his flag threat won't help the situation), but that the British approach has been to put together a reasonable package in response to his unreasonable demands. Sir Alec Douglas-Home brushed aside mention of Mintoff's threats saying that they are nothing new and that Mintoff will have to give the governments a reasonable chance to operate.

NATO. On July 30, NATO received a message from Mintoff to Brosio inviting Brosio to come to Malta to discuss the NATO issue. On August 3, NAC will formally consider a response to the effect that Acting Secretary General Kastl will be prepared to come to Malta during the month of August. US representative Vest has been instructed to request that NATO respond in a positive tone.

At the August 2 NAC, the US proposed the six and one-half million pound assistance package. The Italians spoke favorably to the proposal, the Dutch did not exclude the possibility of a small contribution, the Germans said aid would be preferable to cash. Vest reports that it may be possible to get NATO agreement on a package that comes very close to this alternative. The NAC meets again on August 4.

to consider the issue.

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- 3 -

Conclusion. Mintoff is under increasing pressure to solve his financial crisis before the August 15 payroll and the August meeting of Parliament. It is taking time for the British and NATO to come up with a negotiating package; however, progress is being made. The Libyans appear to have turned down Mintoff's request for help (at least until he agrees to kick out the British and NATO). Thus, an apparently tense Mintoff continues to threaten the UK and NATO and to appeal for help -- maintaining that he does not want help from the USSR.

At this point, to protect our interests in Malta, the US should ensure that Mintoff believes that NATO, the UK and the US are fully aware of his problems and are proceeding in good faith toward solving those problems. We will also have to be prepared at some point to step into the breach financially if the next round of NATO-assisted UK negotiations do not solve the problem. Both of these issues were taken into account in our Malta game plan (Log # 30925X).

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SECRETVERY URGENT ACTIONAugust 2, 1971**MEMORANDUM FOR MR. KISSINGER****FROM: Helmut Sonnenfeldt****SUBJECT: Mintoff Moves Against NATO and UK Flags on Malta**

State has informed us that this morning Mintoff instructed the UK commander in Malta -- Admiral Ashmore, NATO's Acting NAVSOUTH Commander -- that as of tomorrow morning (August 3) he does not want either the British or the NATO flag flown on Malta.

This information arrived at NATO while the NAC was meeting on the subject of Malta. The NAC reached the decision that NATO should reply to Mintoff through the UK Commander to the effect that:

-- This is the sort of issue that NATO's representative (Acting Secretary General Kastl) can discuss with you when he visits Malta later this month, and we would hope you can wait until those discussions;

-- However, if you are adamant we will not fly the flags.

In response to any press inquiries, NATO would say only: We are not flying the flag because the Prime Minister of Malta has so requested.

This response to Mintoff would put the ball back in his court and hopefully cause him to delay taking action on the flag issue. There would appear to be little more that NATO as an organization can do. However, it is probable that Mintoff will not change his mind based on this response alone. There is not enough that is positive in it. I recommend that we contact Mintoff through point out to him that such action stands only to damage NATO and UK negotiations at a time when such negotiations may well produce the financial results he desires -- and urge as persuasively as possible that Mintoff not move on the flags. He should point out that NATO's response is logical and just, and that NATO is addressing the issue of assistance for Malta in good faith. We will have to act quickly if we are to get this message to Mintoff before he moves against the flags tomorrow.

RECOMMENDATION

That Mintoff be contacted immediately along the lines outlined above.

Approve, Halg call Alex Johnson .